



FOR IMMEDIATE RELEASE
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FACT SHEET

MAYOR SECURES \$150 MILLION IN INTERIM FINANCING FOR CRITICAL WATER INFRASTRUCTURE IMPROVEMENTS

FINANCING PLAN FULFILLS MAYOR'S COMMITMENT TO KEEP PROJECTS MOVING IN ANTICIPATION OF CITY'S RETURN TO BOND MARKET IN SPRING

As he committed to do last year, Mayor Jerry Sanders has arranged for \$150 million in interim or short-term financing so that the City can continue to work on critical water system upgrades in neighborhoods throughout the City. This financing will fund water improvements through the end of this calendar year and is subject to refinancing, without penalties, in the public bond market which the City plans to access later this year. The City Council is being asked to authorize the new financing at their meeting on Tuesday of next week.

This is one of three private financings that the Mayor committed himself to bring forward before the City accesses the public markets. In April, the Mayor will propose that the City finance \$100 million to fund deferred maintenance and capital improvements, such as streets and road repair. The Mayor also plans to bring forward a plan to leverage approximately \$7 million in employee pension contributions.

Contingent on the cooperation of the City Attorney, the plan is to have the FY06 financial statements completed by early March. The City would immediately ask the three credit rating agencies to reconsider the City's ratings. Access to the public markets could come as early as the late Spring. Depending on the rates at the time, the City would then have a number of transactions, to include refinancings, for the bond market.

INTEREST RATES REMAIN LOW FOR PRIVATE CAPITAL

The Mayor was able to secure interim private financing for the water transaction at very low interest rates. The financing package being presented will have a fixed interest rate currently estimated at 3.30 % or less under the current declining interest rate environment. This rate is less than one-half percent above the interest rate recently granted for a public financing by another

California Water agency with an “A” rating on a two year note. It is also more than one-half percent (.6%) below the interest rate provided to the City for the \$57 million in private financing for water projects secured by the Mayor in January of last year.

FINANCING ALLOWS CRITICAL IMPROVEMENTS TO CONTINUE

The new financing will allow the City to continue with the Capital Improvement Project (CIP) effort approved for the water system. Approximately 75% of the new funding will be used for upgrade and improvement projects associated with the Compliance Order issued to the City by the State Department of Public Health. The City Council approved the CIP program during their consideration of new water and sewer rates last year. The Council has also already endorsed the Mayor’s intent to secure private financing to keep these projects moving forward.

REQUIRED IMPROVEMENTS INCLUDE WORK IN EVERY COMMUNITY

The upgrades and improvements now underway for the water system include projects in every community throughout San Diego. New water mains are being installed to replace the crumbling cast iron mains reaching the end of their serviceable lifespan. Other pipeline replacement and rehabilitation projects are also included in the Mayor’s water infrastructure improvement plan. Over the next four years, hundreds of miles of pipe will receive upgrades and improvements. Major upgrades to the water treatment facilities at Otay, Alvarado and Miramar are being undertaken and the City will also upgrade security systems to help ensure the safety and reliability of our water system.

Use of Private Financing:	Amount:
Pipelines	\$55.0 million
Reclaimed Water	\$2.7 million
Pump Stations	\$4.6 million
Storage	\$2.2 million
Groundwater	\$1.5 million
Water Treatment Plants	\$65.5 million
Security Upgrades	\$6.8 million
Miscellaneous	\$11.3 million
Costs of Financing Issuance	\$250.000
TOTAL	\$150 million